



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

Dennis Booth, Treasurer
Arizona Republican Party
3501 North 24th Street
Phoenix, AZ 85016

MAY 28 2003

Identification Number: C00008227

Reference: Year End Report (11/26/02-12/31/02)

Dear Mr. Booth:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-The Detailed Summary Page, on Line 18 Column A of your report, discloses \$86,967.90 in transfers from the non-federal account for joint activity for the reporting period. However, Line 21 (a)(ii) Column A discloses \$25,542.36 as the non-federal share for joint activity for the reporting period. While the non-federal account is permitted to transfer funds to the federal account for shared activity, transfers for shared activity must be made within a 70-day time period: no more than 10 days before or 60 days after the payment to the vendor. 11 CFR §§106.5(g)(2) and 106.6(e)(2) Please clarify the nature of the transfers-in from the non-federal account.

The Commission recommends that you immediately transfer back to the non-federal account, the total excessive amount which was received by your federal account outside the 70-day time period. Although the Commission may take further legal action concerning this prohibited activity, your prompt action will be taken into consideration.

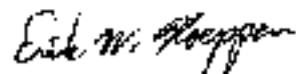
-Schedule B supporting Line 15 of your report discloses a disbursement for an apparent refund or rebate to your non-federal account for a previously allocated expense. Please be advised the refund or rebate must be allocated between the federal and non-federal accounts according to the same

allocation ratio used to allocate the original disbursement. Furthermore, the federal account must transfer the non-federal portion to the non-federal account using one of two methods.

The method of reporting described in Advisory Opinion 1995-22 allows a committee to itemize the refund or rebate as a negative entry on Schedule H4. Alternatively, a committee may disclose the receipt of the refund or rebate into the federal account on Schedule A supporting Line 15, and the transfer of the non-federal account's share to the non-federal account on Schedule H4. Please refer to the enclosed sample of properly reported refunds and rebates of allocable activity and amend your report as appropriate.

A response or amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530 (at the prompt press 1, then press 2 to reach the Reports Analysis Division). My local number is (202) 694-1130.

Sincerely,



Erik W. Koeppen
Senior Campaign Finance Analyst
Reports Analysis Division

10. Refunds and Rebates of Allocable Expenses

If a committee receives a refund or a rebate of an allocable expense, the refund or rebate must be deposited in the federal or nonfederal account. The refund or rebate must then be allocated between the federal and nonfederal accounts according to the same allocation rate used to allocate the original disbursements. The federal account must transfer the nonfederal portion to the nonfederal account.

Example

A committee received a \$400 rebate on office equipment from the Arms Office Store. The original purchase was an administrative expense allocated according to the following ratio: 75 percent federal; 25 percent nonfederal.

Reporting Method 1 illustrates how this rebate would be reported according to the method approved in Advisory Opinion (AO) 1995-22. Reporting Method 2 shows how the rebate would be reported under an alternative method.

Reporting Method 1

Using the method of reporting described in AO 1995-22, the committee discloses the receipt of the rebate and the federal and nonfederal shares on Schedule H4. The amounts are negative entries subtracted from total shared federal and nonfederal disbursements for the reporting period (disclosed on Lines 21a(i) and (j) of the Detailed Summary Page).

Reporting Method 2

Under the alternative method, the committee reports the receipt of the \$400 rebate under the category "Offsets to Operating Expenditures" on Line 15 of the Form 9X Detailed Summary Page. The committee uses Schedule H4 to disclose the federal account's \$300 transfer to the nonfederal account for the nonfederal share.

ALLOCATION OF REBATE (H4) (METHOD 1)

DISBURSEMENT SCHEDULE H4 (Form 9X)		JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE				PAGE 3
						OF
						FOR LINE 21
NAME OF COMMITTEE:						
FEDERAL SHARE	NON-FEDERAL SHARE	FEDERAL SHARE	NON-FEDERAL SHARE	FEDERAL SHARE	NON-FEDERAL SHARE	
75.00%	25.00%	75.00%	25.00%	75.00%	25.00%	
CAUTION: If disbursements are shared between federal and nonfederal accounts, the federal account must transfer the nonfederal portion to the nonfederal account.						

Based on the 75 percent federal and 25 percent nonfederal allocation ratio, the committee reports the rebate as a negative entry on Schedule H4. The federal account's 75 percent share of the rebate is reported on Line 21a(i) of the Detailed Summary Page. The nonfederal account's 25 percent share of the rebate is reported on Line 21a(j) of the Detailed Summary Page. The total rebate amount is reported on Line 21a(k) of the Detailed Summary Page.

RECEIPT OF REBATE (A/LINE 15) (METHOD 2)

SCHEDULE A EXPENSE RECEIPTS		PAGE 3	
		OF	
		FOR LINE 15	
NAME OF COMMITTEE:			
DATE RECEIVED	AMOUNT RECEIVED	DATE RECEIVED	AMOUNT RECEIVED
12/15/95	\$400.00	12/15/95	\$400.00
CAUTION: If disbursements are shared between federal and nonfederal accounts, the federal account must transfer the nonfederal portion to the nonfederal account.			

The \$400 rebate is reported as a negative entry in the category "Offsets to Operating Expenditures" on Line 15 of the Form 9X Detailed Summary Page. The rebate must be disclosed on Schedule H4 because it exceeds \$100.

TRANSFER OF NONFEDERAL SHARE (H4) (METHOD 2)

DISBURSEMENT SCHEDULE H4 (Form 9X)		JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE				PAGE 3
						OF
						FOR LINE 21
NAME OF COMMITTEE:						
FEDERAL SHARE	NON-FEDERAL SHARE	FEDERAL SHARE	NON-FEDERAL SHARE	FEDERAL SHARE	NON-FEDERAL SHARE	
75.00%	25.00%	75.00%	25.00%	75.00%	25.00%	
CAUTION: If disbursements are shared between federal and nonfederal accounts, the federal account must transfer the nonfederal portion to the nonfederal account.						

Based on the 75 percent federal and 25 percent nonfederal allocation ratio, the committee reports the rebate as a negative entry on Schedule H4. The federal account's 75 percent share of the rebate is reported on Line 21a(i) of the Detailed Summary Page. The nonfederal account's 25 percent share of the rebate is reported on Line 21a(j) of the Detailed Summary Page. The total rebate amount is reported on Line 21a(k) of the Detailed Summary Page.

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